Supreme Court, U.S.
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No. 06-515

In the Supreme Court of the United States

M2 SOFTWARE, INC.,

Petitioner,

v.

M2 COMMUNICATIONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR REHEARING

MARK L. PETTINARI
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

QUESTION PRESENTED

Whether this Court should invoke the GVR mechanism to grant certiorari, vacate the judgment of the Court of Appeals, and remand the case for further consideration where it has been discovered since the date of the Federal Circuit decision that the two related cases that formed the foundation of the Respondent's argument below were rendered by an allegedly biased judge subject to the mandatory disqualification provisions of 28 U.S.C. § 455.

RULE 29.6 STATEMENT

M2 Software, Inc. is the sole petitioner. No publicly held company owns ten percent or more of the corporation's stock.

Respondent is M2 Communications, Inc.

Other parties with a financial interest in the outcome of this proceeding:

M2 Communications, LLC
Gaylord Entertainment
Jeffory Moseley
Time Warner
Warner Music Group
Clear Channel Entertainment
Madacy Entertainment
Handleman Company
SFX Entertainment
Viacom, Inc.
Viacom International, Inc.
MTV Networks Company

RULE 44.1 CERTIFICATION

Pursuant to Supreme Court Rule 44.1, I hereby certify that the grounds of this Petition for Rehearing are limited to intervening circumstances of a substantial or controlling effect or other substantial grounds not previously presented. The Petition for Rehearing is presented in good faith and not for delay.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner
M2 SOFTWARE, INC.

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Pursuant to Supreme Court Rule 44, Petitioner M2 Software, Inc. respectfully submits this Petition for Rehearing of the original Petition for Certiorari that was docketed on October 13, 2006 ("Original Petition"). This Court denied the Original Petition on December 11, 2006. On December 19, 2006, a petition for a writ of mandamus was docketed in the matter of *In Re M2 Software, Inc.* that seeks enforcement of the mandatory recusal statute of 28 U.S.C. § 455. If granted, the related petition will result in the *vacatur* of the two related cases concerning the same trademark property, upon which Respondent foundationally relied in its prevailing argument below. Petitioner requests that this Court grant rehearing to invoke the GVR mechanism to grant certiorari, vacate judgment, and remand the present case to the Federal Circuit for further consideration in light of the intervening developments.[1]

REASONS FOR GRANTING REHEARING

Mandamus is sought in the related petition because the decisions in the two related cases (centrally relied-upon by Respondent in the present case) were rendered by an authoring judge who held a financial interest in a real party in interest and in the subject matter of the litigation. Pursuant to 28 U.S.C. § 455, the judge was subject to mandatory disqualification. As the product of a structural due process violation, the judgments must be vacated. *See Liljeberg v. Health Services Acquisition Corp.*, 486 U.S. 847, 868 (1988); *United States v. American-Foreign S.S. Corp.*, 363 U.S. 685, 690-691 (1960) (where a person is deprived of a properly-constituted panel, "the judgment must be set aside").

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[1] The *In Re M2 Software, Inc.* petition is scheduled to be set for conference no later than February 16, 2006, and thus will be heard on or before the earliest date on which the present Petition can be heard. Should there be any change, this Petition should be held pending determination of *In Re M2 Software, Inc.*

The Respondent's argument to the Federal Circuit below relied foundationally, and in some cases exclusively, upon the decisions in the following two related cases:

1.) *M2 Software, Inc. v. M2 Communications, LLC*, 149 Fed.Appx. 612 (9th Cir. 2005), cert. denied, --- U.S.---, 126 S.Ct. 1772 (2006) ("*M2Comm*");

2.) *M2 Software, Inc. v. Madacy Entertainment*, 421 F.3d 1073, 1076 (9th Cir. 2005), cert. denied, --- U.S.---, 126 S.Ct. 1772 (2006) ("*Madacy*").

Since the Federal Circuit June 7, 2006 decision, it was discovered that the above decisions were rendered by an allegedly biased judge subject to the mandatory disqualification provisions of 28 U.S.C. § 455. The above decisions concern the same Plaintiff-Petitioner, the same United States trademark (U.S. Reg. No. 1,931,182), and substantially identical issues as the present case. The related cases were referenced in the Original Petition at 2, 8 (n.8), 15, 21, 23, and 24.

In its 61-page Appellee's Brief to the Federal Circuit (filed December 30, 2005) Respondent centrally relied upon these cases throughout the entirety of its argument, referring to *M2Comm* and *Madacy* in approximately 40% of the pages of argument that it submitted to the Federal Circuit. In Respondent's Appellee's Brief (with argument beginning at page 22), Respondent relied upon *M2Comm* at 4, 5, 8, 9, 20, 28, 29, 30, 33. 34, 38, 39, 41, 44, 45, 53, 54, 56, 58, 60, and upon *Madacy* at 4, 5, 9, 20, 28, 30, 40, 41, 44, 45, 53, 54, 56, 58, 60. *See* Original Petition, at 8 n.8. The cases formed the foundation of the Respondent's argument and, as decisions of a peer Court of Appeals concerning the same federal trademark and substantially identical issues, unavoidably influenced the Federal Circuit.

The GVR mechanism of this Court is tailored precisely for this situation. This Court should grant certiorari, vacate the judgment below, and remand to the Court of Appeals concomitant with the grant of the *In Re M2 Software, Inc.* petition to allow the Federal Circuit further consideration under its own precedent, without the hindrance of seeking to remain consistent with the related cases from the Ninth Circuit that, it is now known, were rendered by a judge that should have been disqualified pursuant to 28 U.S.C. § 455.

I. This Case Meets This Court's Customary Requirements for Issuance of a GVR Order

Under 28 U.S.C. § 2106, this Court has broad power to issue a GVR Order. *See Lawrence on Behalf of Lawrence v. Chater*, 516 U.S. 163, 166 (1996):

> "The Supreme Court or any other court of appellate jurisdiction may * * * vacate * * * any judgment, decree, or order of a court lawfully brought before it for review, and may remand the case and * * * require such further proceedings to be had as may be just under the circumstances." * * * [T]he GVR order has, over the past 50 years, become an integral part of this Court's practice, accepted and employed by all sitting and recent Justices. We have GVR'd in light of a wide range of developments, including our own decisions * * *.

Id., quoting 28 U.S.C. § 1206. In *Thomas v. American Home Products, Inc.*, 519 U.S. 913 (1996), this Court invoked GVR under circumstances similar to those of the present case. In *Thomas*, the Georgia Supreme Court had retroactively "in effect overruled the Georgia case that was the basis for the District Court's holding." *Id.*, 519 U.S. at 914. Here, the *In Re M2 Software, Inc.* cases were the basis of the Respondent's Appellee's Brief that the decision of the Federal Circuit largely followed. Even though the Federal Circuit did not take up the Respondent's invitation to cite the relied-upon cases while they were still pending before this Court on an earlier

petition for certiorari, it was no doubt influenced by these cases. *See* U.S.S.C. 05-967 (rehearing in the two related cases denied June 12, 2006); Appendix of Original Petition ("App.") at 1a (Federal Circuit decision entered June 7, 2006).

To merit GVR, there need only be a "reasonable probability" that the Federal Circuit was affected by the related cases, extensively cited in the Respondent's brief, in reaching its ultimate conclusion. *See Lawrence*, 516 U.S. at 167. Here, there is "a reasonable probability that the lower court relied on the point at issue." *Id.* at 169. In particular, as set forth herein, there is a reasonable probability that the Federal Circuit relied upon the Ninth Circuit related cases concerning substantially identical issues to reach its conclusion that a trademark owner's rights in the media or software fields should be limited to particular "subject-matter" or "genres" of intellectual content. *See* Original Petition at 14-15, 19-24. This viewpoint was not supported in prior Federal Circuit law, and serves to destroy a trademark owner's rights to brand positioning and natural zones of expansion. *Id.*

Since the related cases were still pending before this Court on a petition for a writ of certiorari, it was not necessary for the Federal Circuit to have explicitly cited them in its published decision to show a "reasonable probability" that its judgment was nonetheless affected by these decisions. The related cases were issued by a peer Court of Appeals, concerned the same Plaintiff-Petitioner, concerned the same United States registered trademark, and resolved (albeit by an allegedly biased judge) substantially identical issues. It is well recognized that a judge who improperly rules in a prior case can taint the subsequent cases. *See In re Aetna Casualty & Surety Co.*, 919 F.2d 1136, 1143 (6th Cir. 1990) (related cases can be tainted by the senior decision of a biased judge based upon law of the case, collateral estoppel, or because the rendered decision "might be highly persuasive as precedent.")

In granting GVR, this Court has often turned to the briefs of the parties to determine whether there was a "reasonable probability" that a lower Court of Appeals had been affected by the case or law subject to the intervening change. In *Stutson v. United States*, 516 U.S. 193 (1996), this Court found "ample justification for a GVR order" in an intervening decision that contradicted the arguments set forth in the parties' briefs, even though the Court of Appeals had been silent on the issue in granting a summary affirmance. *Id.* at 194-195. In *Robinson v. Story*, 469 U.S. 1081 (1984), this Court reviewed the contents of the parties' briefs to determine whether a Court of Appeals had been affected by the prior law, even though the intervening change had occurred three months before the Court of Appeals reached its decision. *See Lawrence*, 516 U.S. at 169, citing *Robinson*, 469 U.S. 1081. In *Lords Landing Village Condo. Council of Unit Owners v. Continental Ins. Co.*, 520 U.S. 893 (1997), this Court found that while it was unclear whether the Court of Appeals had considered the intervening developments in its decision, GVR was warranted because such developments presented a reasonable probability of affecting the outcome. *Lords Landing*, 520 U.S. at 895-96, quoting *Lawrence*, 516 U.S. at 167.[2]

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[2] The GVR mechanism does not depend upon the Court determining that the issue presented for certiorari is one in which it would otherwise grant *plenary* review. *See Thomas*, 519 U.S. at 914 .

II. The Related Cases Subject Of Intervening Developments Concern the Same Trademark and Substantially Identical Issues, and Formed the Foundation of the Respondent's Argument Below

The Respondent relied extensively, and often exclusively, on the two cases that are now the subject of the *In Re M2 Software, Inc.* petition. The Federal Circuit was unavoidably influenced by the senior cases, which were rendered by a peer Court of Appeals and concerned the same corporate trademark owner, the same trademark property, and substantially identical issues. The Respondent sought to import the same restrictive standard of relatedness, raising the very issue for which certiorari was sought in the Original Petition. Respondent essentially argued that the senior decisions – now known to have been rendered by a disqualified judge subject to mandatory recusal – should form a permanent metric for determining the Petitioner's crucial trademark rights:

> "The Ninth Circuit affirmed the district court's holding in favor of M2 Communications. * * * As in *Madacy*, the Court found that even though both companies distributed music CDs the proximity of goods factor tilted 'only slightly' in favor of M2 Software, 'because the genres of the music CDs are very significantly different,' i.e., Acid Jazz and Christian music. * * * Notwithstanding this slight relatedness of the goods, the court found no likelihood of confusion, citing the facts that (1) the products did not compete with each other, (2) they were not used by the same class of users, since each targeted different niches of the music business that had "very little overlap," and (3) the parties neither advertised nor distributed their products in the same channels. * * * Certainly, the *M2 Communications* and *Madacy* cases compel a finding here that M2 Communications' goods are not related to those of M2 Software." (emphasis added)

RAB at 28-29. Adopting Respondent's above argument, the Federal Circuit accepted the "genre" focus of the Ninth Circuit, recasting this focus as a "subject-matter-based" mode of analysis. *See* App. at 8a. The Federal Circuit implicitly followed the related cases, rejecting Petitioner's argument that a registered trademark should be protected against the use of the mark on those goods or services that would reasonably be thought by the buying public to originate from, be affiliated with, or sponsored by the same entity if branded with an identical trademark. *See* App. at 8a (rejecting Petitioner's argument that "the goods in question are related" because they are both "interactive multimedia CD-ROMs"). This was a crucial determination that raised the question for which certiorari was sought in this case. *See* Original Petition at 16-18. The Federal Circuit did not offer any direct legal support for rejecting Petitioner's argument because it could not cite its peer Ninth Circuit cases, pending certiorari at the time, that provided the only support of this particular point in the Respondent's brief. App. at 8a.

The Respondent relied on similar references to the Ninth Circuit decisions throughout its entire brief. The page numbers of its reference (constituting 40% of its argument pages) are set forth *supra*, and for illustration some excerpts are included below:

RAB, at 4-5:

> "The TTAB correctly recognized the inherent dissimilarity of the parties' goods and dismissed M2 Software's case, finding no likelihood of confusion. * * * Notably, so did * * * the United States Court of Appeals for the Ninth Circuit in two different cases recently decided against M2 Software: *M2 Software, Inc. v. Madacy Entertainment*, 421 F.3d 1073 (9th Cir. 2005); *M2 Software Inc. v. M2 Communications, L.L.C.*, 149 Fed. Appx. 612 (9th Cir. 2005). Significantly, the defendants in both of these cases were using their marks in connection with

> music CDs -- goods far more similar to M2 Software's goods than those of M2 Communications.* * * In view of these decisions, as well as settled Federal Circuit precedent, and the undisputed facts of record, this Court should easily find no likelihood of confusion and affirm the TTAB's decision in favor of M2 Communications.'" (emphasis added).

RAB, at 20:

> "Moreover, the TTAB's finding that the goods at issue here are not related is supported by two recent decisions finding no likelihood of confusion between M2 Software's M2 Mark and two other marks containing the dominant term "M2": *M2 Software, Inc. v. M2 Communications, LLC*, No. 03-56602 2005, U.S. App. LEXIS 19794 (9th Cir. Sept. 12, 2005) and *M2 Software, Inc. v. Madacy*, 421 F.3d 1073 (9th Cir. 2005) * * * Significantly, in each of these cases, the allegedly infringing marks were used in connection with goods far more similar than the goods at issue here, i.e., music CD's."

RAB, at 28:

> "[Section Heading:] Courts Have Found No Likelihood of Confusion Between M2 Software's Mark and Other Marks on Goods Far More Similar to M2 Software's Goods then [sic] M2 Communications' Goods
>
> * * * The most notable of these decisions are surely the two recent decisions of the United States Court of Appeals for the Ninth Circuit -- *M2 Software, Inc. y. M2 Communications, LLC*, No. 03-56602 2005, U.S. App. LEXIS 19794 (9th Cir. Sept. 12, 2005) and *M2 Software, Inc. v. Madacy*, 421 F.3d 1073 (9th Cir. 2005) * * *." (emphasis in original).

RAB, at 29:

> "Certainly, the *M2 Communications* and *Madacy* cases compel a finding here that M2 Communications' goods are not related to those of M2 Software. If no likelihood of confusion can be found between products that are both music CDs based mainly on their differing musical genres and target purchasers then clearly, the purely pharmaceutical/medical interactive multimedia goods sold by M2 Communications cannot be found related * * *." (emphasis added).

RAB, at 40-42:

> "Indeed, this principle could not be better illustrated than it was in the two cases recently decided by the Ninth Circuit Court of Appeals against M2 Software. See *M2 Software, Inc. y. Madacy Entertainment*, 421 F.3d 1073 (9th Cir. 2005) and *M2 Software, Inc. y. M2 Communications, LLC*, 149 Fed. Appx. 612 (9th Cir. 2005). * * * Clearly, the difference in purchasers and channels of trade between the parties in this case is far greater than in the above cases.") (emphasis added).

RAB, at 44:

> "Significantly, the Court of Appeals for the Ninth Circuit reached the same conclusion about M2 Software in *Madacy* and *M2 Communications*." (emphasis added).

RAB, at 45:

> "Clearly, if M2 Software was recently unable to even show it was likely to expand its music CD product line into other genres of music, it cannot seriously contend here that it is likely to expand into M2 Communications' highly specialized market for customized interactive CD Roms * * *." (emphasis added).

On the appeal below, Respondent strenuously sought to and succeeded in persuading the Federal Circuit to follow the related cases: The Federal Circuit ruled in line with the Ninth Circuit view and contrary to its own precedent.[3] There is a "reasonable probability" that its decision was affected by the related cases. A GVR Order is necessary to give the Federal Circuit an opportunity for further consideration against its own established precedent without the hindrance of seeking to remain consistent with the Ninth Circuit related cases that, as it is now known, were rendered by an allegedly-biased judge subject to the mandatory disqualification provisions of 28 U.S.C. § 455.

CONCLUSION

Concomitant with a grant of mandamus in *In Re M2 Software, Inc.*, this Court should invoke the GVR mechanism to grant certiorari, vacate the judgment, and remand this case to the United States Court of Appeals for the Federal Circuit for further consideration.

Respectfully submitted,

Mark L. Pettinari
Counsel of Record
LAW OFFICES OF MARK L. PETTINARI
Stock Exchange Tower
155 Sansome Street, Suite 400
San Francisco, CA 94104
Tel (415) 240-4200
Attorney for Petitioner

M2 SOFTWARE, INC.

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[3] *Compare* "New Federal Circuit Rule," Original Petition at 11, *with* "Federal Circuit (prior to this case)," Original Petition, at 16.